



Instr: 201001250002708 01/25/2010
P: 1 of 2 F: \$28.00
Rick Campbell 1:46PM LEAS
Stark County Recorder T20100002256

**NON-DRILLING AND NON-SURFACE TRESPASS
OIL & GAS LEASE**

THIS LEASE (the "Lease") is made and entered into this 22nd day of January, 2010 by and between BREINING MECHANICAL SYSTEMS, INC., an Ohio corporation fka Canton Fabricators Inc., having an address of 883 Addison Road, Cleveland, Ohio 44103 (hereinafter called the "Lessor"), and LAKE REGION OIL, INC., an Ohio corporation, having a mailing address of P. O. Box 499, Dalton, Ohio 44618 (hereinafter called the "Lessee").

Lessor and Lessee do hereby agree as follows:

1. Lessor, for consideration, grants Lessee all the oil and gas in the lands described below, with the exclusive rights to operate for, produce and market the same from a well or wells on other lands; the right to unitize Lessor's lands, or any portion, with other lands into a drilling unit of no more than forty-five and 59/100 (45.59) acres. This Lease is for one (1) year, and as long thereafter as operations are being conducted on any such unit or oil or gas can be produced in paying quantities in Lessee's commercially reasonable judgment from any such unit. Notwithstanding any provision contained herein to the contrary, this Lease shall become null and void and all rights of the parties hereunder shall terminate in the event that Lessee has failed to commence drilling activities (spudding) on land unitized with the Premises within one (1) year of the date of this Lease.

This Lease is for Lessor's land known as Permanent Parcel Nos. 05-00188 and 05-00189, having an address of 1115-1125 Industrial Ave. SW, Massillon, Ohio 44647-7611, consisting of approximately 2.08 acres in the aggregate, located in the City of Massillon, County of Stark, State of Ohio, and part of OL512 (collectively, the "Premises").

2. Lessor shall be paid as royalties a proportional share of one-eighth (1/8) of "Proceeds Realized" by Lessee on all of the oil and gas produced and marketed from each well drilled and unitized, as the amount of Lessor's acreage in the unit bears to total acreage in the unit, the same to be paid by the end of the next month following Lessee's receipt of payment for same. "Proceeds Realized" shall mean the price received by Lessee for oil and gas marketed and sold at the delivery point less any charges for transportation, dehydration, compression and marketing paid by Lessee to deliver the oil and gas for sale. Payments not received by Lessor within thirty (30) days after the date due pursuant to the first sentence of this Section 2 shall bear interest at the rate of eighteen percent (18%) per annum, or if less, the maximum rate permitted by law, from the date due until paid in full. All money due under this Lease shall be paid or tendered to Lessor by check made payable to the order of Lessor and mailed to the address for Lessor set forth above or at such other address of which Lessor may from time to time notify Lessee in writing.

3. Lessee shall keep and maintain at its principal office the proper books of account and records of the production of the well or wells from which Lessor is entitled to proceeds as provided in Paragraph 2, above, and of the royalties paid to Lessor, in each case for a period of three (3) years. Such books and records will be available to Lessor or Lessor's designee for inspection and audit upon reasonable prior notice and during Lessor's normal business hours. In the event Lessor audits such books and records and such audit discloses the failure to pay royalties otherwise due under this Lease, Lessee shall pay to Lessor the reasonable cost of the audit and shall pay Lessor any amount of royalties due which are revealed by such audit, together with interest at the rate stated in Paragraph 2, above. Lessee shall operate the well or wells located on the unit with which the leased premises is unitized in a diligent and efficient manner as a reasonably prudent operator so as to produce from the leased premises and related unit the maximum recovery of oil and gas consistent with good oil and gas field practices of development and operation as recognized in the oil and gas industry.

4. No well shall be drilled on Lessor's property, nor shall Lessee enter upon or install any installation of any nature whatsoever on the Premises, the within Lease being granted solely for the purpose of permitting the Lessee to unitize the Premises with other properties, which other properties shall bear all the burden of development.

5. This Lease shall be binding on all heirs, successors, and assigns of Lessor and Lessee. If the Premises is hereinafter owned in separate tracts (or if one of the tax parcels comprising the Premises is conveyed), the Premises, nevertheless, shall be treated as an entirety and all payments due shall be paid proportionally (on an acreage basis) to each separate owner, and if Lessor owns less than the entire fee, Lessor shall be paid only its proportional share of any payment due. Lessee may at any time surrender this Lease in whole or in part.

6. No change of ownership in the Premises or in the rentals or royalties hereunder shall be binding on Lessee until after notice to the Lessee either by delivery of notice in writing duly signed by the parties to the instrument of conveyance or assignment and delivery of such original instrument or a duly certified copy thereof to the Lessee.

7. In the event Lessor considers Lessee has not complied with its expressed or implied obligations hereunder, Lessor shall notify Lessee in writing indicating specifically what Lessee allegedly has breached. Lessee shall have 30 days after receipt of said notice to cure or commence to cure (and thereafter diligently pursue such cure) any part of the breached alleged by Lessor. Lessor shall not bring any action against Lessee until after thirty (30) days after service of such notice on Lessee.

8. Lessor hereby warrants and agrees to defend the title to the Premises herein described and agrees that Lessee, at its option, may pay and discharge any taxes, mortgages, or other liens levied, or assessed on or against the said land that affect Lessee's interest therein and, in the event it exercises such option, it shall be subrogated to the rights of any holder or holders, thereof and may reimburse itself for any payments due hereunder. This Lease contains all the agreements of the parties, and there shall be no implied covenants or verbal representations.

9. Lessee shall maintain commercial general liability insurance in the single limit amount of not less than \$2,000,000 for the life of the well(s). The policy shall name Lessor as an additional insured. Lessee shall provide Lessor with a certificate of insurance evidencing such coverage prior to the commencement of operations and annually prior to the expiration of any policy. No such policy of insurance shall be cancelled nor shall coverage be reduced without at least ten (10) days written notice to Lessor.

10. Lessee covenants and agrees to indemnify, defend and hold harmless Lessor and the Premises from and against any loss, damage, fine, liability, cost, judgment or expense, including, but not limited to, attorneys' fees or expenses, incurred by or brought against Lessor in connection with any claims, demands, causes of action, and liabilities for death or injury to persons or damage to property as a result of or related to Lessee's use of the Premises or the operation of the well(s) on other lands, as contemplated by this Lease.

IN WITNESS WHEREOF, the undersigned have executed this instrument on the date appearing above.

Lessor:

BREINING MECHANICAL SYSTEMS, INC.

By:

Patricia J. McElroy, Secretary/Treasurer

Lessee:

LAKE REGION OIL, INC.

By:

President Howard J. Wenger

STATE OF OHIO)

)SS:

COUNTY OF CUYAHOGA)

BEFORE ME, a Notary Public in and for said county and state, personally appeared Patricia J. McElroy, the Secretary/Treasurer of Breining Mechanical Systems, Inc., an Ohio corporation, who acknowledged to me that she did execute the foregoing instrument for and on behalf of said corporation, being duly authorized by its Board of Directors, and that the same is her voluntary act and deed as such officer and the voluntary act and deed of said corporation, for the uses and purposes therein mentioned.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed my official seal on this 15th day of January, 2010.

My Commission Expires: DENISE M. WILKENS

Notary Public, State of Ohio, Cuy. Cty. Notary Public
My Commission Expires Feb. 6, 2011

STATE OF OHIO)

)SS:

COUNTY OF STARK)

BEFORE ME, a Notary Public in and for said county and state, personally appeared Howard J. Wenger, the President of Lake Region Oil, Inc. an Ohio corporation, who acknowledged to me that he/she did execute the foregoing instrument for and on behalf of said corporation, being duly authorized by its Board of Directors, and that the same is his/her voluntary act and deed as such officer and the voluntary act and deed of said corporation, for the uses and purposes therein mentioned.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed my official seal on this 20th day of January, 2010.

Notary Public, State of Ohio
My Commission Expires April 30, 2012

Notary Public

This instrument prepared by: Lake Region Oil, Inc., P. O. Box 499, Dalton, OH 44618